

House File 905 - Introduced

HOUSE FILE _____
BY WISE

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to state and local budgets and taxes by
2 authorizing a commercial property tax credit for individual
3 and corporate income tax, reducing the assessment limitation
4 for commercial and industrial property, repealing
5 authorization of a city or county to levy property taxes
6 except for debt service, repealing authorization of a school
7 district or merged area to levy property taxes except for debt
8 service, increasing the maximum rate for local hotel and motel
9 taxes, setting a specific appropriation for and making an
10 appropriation to the statewide fire and police retirement
11 system, establishing a legislative property tax study
12 committee, and including effective and retroactive
13 applicability date provisions.
14 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:
15 TLSB 2704YH 82
16 sc/es/88

PAG LIN

1 1 DIVISION I
1 2 COMMERCIAL PROPERTY TAX CREDIT
1 3 Section 1. NEW SECTION. 422.11T COMMERCIAL PROPERTY TAX
1 4 CREDIT.
1 5 1. The taxes imposed under this division, less the credits
1 6 allowed under sections 422.12 and 422.12B, shall be reduced by
1 7 a commercial property tax credit. To qualify for this credit,
1 8 the taxpayer shall have paid property tax during the tax year
1 9 levied on property that is assessed as improved commercial
1 10 property for property tax purposes, and the assessed value of
1 11 such improved commercial property owned by the taxpayer does
1 12 not exceed, in the aggregate statewide, three hundred thousand
1 13 dollars.
1 14 For purposes of this section, "improved commercial
1 15 property" means land containing one or more structures that
1 16 are being put to productive use.
1 17 2. The total amount of tax credit that may be claimed by a
1 18 taxpayer equals three hundred twenty dollars.
1 19 3. The amount of the tax credit claimed under this section
1 20 shall not be deducted in computing the taxpayer's taxable
1 21 income for state income tax purposes.
1 22 4. Any credit in excess of the tax liability shall be
1 23 refunded with interest computed under section 422.25. In lieu
1 24 of claiming a refund, a taxpayer may elect to have the
1 25 overpayment shown on the taxpayer's final, completed return
1 26 credited to the tax liability for the following tax year.
1 27 5. An individual may claim the tax credit allowed a
1 28 partnership, limited liability company, S corporation, estate,
1 29 or trust electing to have the income taxed directly to the
1 30 individual. The amount claimed by the individual shall be
1 31 based upon the pro rata share of the individual's earnings of
1 32 the partnership, limited liability company, S corporation,
1 33 estate, or trust.
1 34 6. This section is repealed January 1, 2012, for the tax
1 35 years beginning on or after that date.
2 1 Sec. 2. Section 422.33, Code 2007, is amended by adding
2 2 the following new subsection:
2 3 NEW SUBSECTION. 24. a. The taxes imposed under this
2 4 division shall be reduced by a commercial property tax credit.
2 5 To qualify for this credit, the taxpayer shall have paid
2 6 property tax during the tax year levied on property that is
2 7 assessed as improved commercial property for property tax
2 8 purposes, and the assessed value of such improved commercial
2 9 property owned by the taxpayer does not exceed, in the

2 10 aggregate statewide, three hundred thousand dollars.
2 11 For purposes of this subsection, "improved commercial
2 12 property" means land containing one or more structures that
2 13 are being put to productive use.
2 14 b. The total amount of credit that may be claimed by a
2 15 taxpayer equals three hundred twenty dollars. For
2 16 corporations that file a consolidated Iowa return in
2 17 accordance with section 422.37, each corporation filing on the
2 18 consolidated return that paid commercial property tax during
2 19 the tax year may claim the maximum tax credit.
2 20 c. The amount of the tax credit claimed under this
2 21 subsection shall not be deducted in computing the taxpayer's
2 22 taxable income for state income tax purposes. For
2 23 corporations that file a consolidated Iowa return in
2 24 accordance with section 422.37, each corporation filing on the
2 25 consolidated return that claimed the credit shall not deduct
2 26 the amount of the tax credit claimed by it for state income
2 27 tax purposes.
2 28 d. Any credit in excess of the tax liability shall be
2 29 refunded with interest computed under section 422.25. In lieu
2 30 of claiming a refund, a taxpayer may elect to have the
2 31 overpayment shown on the taxpayer's final, completed return
2 32 credited to the tax liability for the following tax year.
2 33 e. This subsection is repealed January 1, 2012, for tax
2 34 years beginning on or after that date.
2 35 Sec. 3. EFFECTIVE AND RETROACTIVE APPLICABILITY DATES.
3 1 This division of this Act, being deemed of immediate
3 2 importance, takes effect upon enactment and applies
3 3 retroactively to January 1, 2007, for tax years beginning on
3 4 or after that date.

3 5 DIVISION II

3 6 ASSESSMENT OF PROPERTY

3 7 Sec. 4. Section 441.21, subsection 5, Code 2007, is
3 8 amended to read as follows:
3 9 5. For valuations established as of January 1, 1979,
3 10 commercial property and industrial property, excluding
3 11 properties referred to in section 427A.1, subsection 8, shall
3 12 be assessed as a percentage of the actual value of each class
3 13 of property. The percentage shall be determined for each
3 14 class of property by the director of revenue for the state in
3 15 accordance with the provisions of this section. For
3 16 valuations established as of January 1, 1979, the percentage
3 17 shall be the quotient of the dividend and divisor as defined
3 18 in this section. The dividend for each class of property
3 19 shall be the total actual valuation for each class of property
3 20 established for 1978, plus six percent of the amount so
3 21 determined. The divisor for each class of property shall be
3 22 the valuation for each class of property established for 1978,
3 23 as reported by the assessors on the abstracts of assessment
3 24 for 1978, plus the amount of value added to the total actual
3 25 value by the revaluation of existing properties in 1979 as
3 26 equalized by the director of revenue pursuant to section
3 27 441.49. For valuations established as of January 1, 1979,
3 28 property valued by the department of revenue pursuant to
3 29 chapters 428, 433, 437, and 438 shall be considered as one
3 30 class of property and shall be assessed as a percentage of its
3 31 actual value. The percentage shall be determined by the
3 32 director of revenue in accordance with the provisions of this
3 33 section. For valuations established as of January 1, 1979,
3 34 the percentage shall be the quotient of the dividend and
3 35 divisor as defined in this section. The dividend shall be the
4 1 total actual valuation established for 1978 by the department
4 2 of revenue, plus ten percent of the amount so determined. The
4 3 divisor for property valued by the department of revenue
4 4 pursuant to chapters 428, 433, 437, and 438 shall be the
4 5 valuation established for 1978, plus the amount of value added
4 6 to the total actual value by the revaluation of the property
4 7 by the department of revenue as of January 1, 1979. For
4 8 valuations established as of January 1, 1980, commercial
4 9 property and industrial property, excluding properties
4 10 referred to in section 427A.1, subsection 8, shall be assessed
4 11 at a percentage of the actual value of each class of property.
4 12 The percentage shall be determined for each class of property
4 13 by the director of revenue for the state in accordance with
4 14 the provisions of this section. For valuations established as
4 15 of January 1, 1980, the percentage shall be the quotient of
4 16 the dividend and divisor as defined in this section. The
4 17 dividend for each class of property shall be the dividend as
4 18 determined for each class of property for valuations
4 19 established as of January 1, 1979, adjusted by the product
4 20 obtained by multiplying the percentage determined for that

4 21 year by the amount of any additions or deletions to actual
4 22 value, excluding those resulting from the revaluation of
4 23 existing properties, as reported by the assessors on the
4 24 abstracts of assessment for 1979, plus four percent of the
4 25 amount so determined. The divisor for each class of property
4 26 shall be the total actual value of all such property in 1979,
4 27 as equalized by the director of revenue pursuant to section
4 28 441.49, plus the amount of value added to the total actual
4 29 value by the revaluation of existing properties in 1980. The
4 30 director shall utilize information reported on the abstracts
4 31 of assessment submitted pursuant to section 441.45 in
4 32 determining such percentage. For valuations established as of
4 33 January 1, 1980, property valued by the department of revenue
4 34 pursuant to chapters 428, 433, 437, and 438 shall be assessed
4 35 at a percentage of its actual value. The percentage shall be
5 1 determined by the director of revenue in accordance with the
5 2 provisions of this section. For valuations established as of
5 3 January 1, 1980, the percentage shall be the quotient of the
5 4 dividend and divisor as defined in this section. The dividend
5 5 shall be the total actual valuation established for 1979 by
5 6 the department of revenue, plus eight percent of the amount so
5 7 determined. The divisor for property valued by the department
5 8 of revenue pursuant to chapters 428, 433, 437, and 438 shall
5 9 be the valuation established for 1979, plus the amount of
5 10 value added to the total actual value by the revaluation of
5 11 the property by the department of revenue as of January 1,
5 12 1980. For valuations established as of January 1, 1981, and
5 13 each year thereafter, the percentage of actual value as
5 14 equalized by the director of revenue as provided in section
5 15 441.49 at which commercial property and industrial property,
5 16 excluding properties referred to in section 427A.1, subsection
5 17 8, shall be assessed shall be calculated in accordance with
5 18 the methods provided herein, except that any references to six
5 19 percent in this subsection shall be four percent. For
5 20 valuations established as of January 1, 2007, and each year
5 21 thereafter, the percentage of actual value as equalized by the
5 22 director of revenue as provided in section 441.49 at which
5 23 commercial property and industrial property, excluding
5 24 properties referred to in section 427A.1, subsection 8, shall
5 25 be assessed shall be calculated in accordance with the methods
5 26 provided herein, except that any references to six percent in
5 27 this subsection shall be one percent. For valuations
5 28 established as of January 1, 1981, and each year thereafter,
5 29 the percentage of actual value at which property valued by the
5 30 department of revenue pursuant to chapters 428, 433, 437, and
5 31 438 shall be assessed shall be calculated in accordance with
5 32 the methods provided herein, except that any references to ten
5 33 percent in this subsection shall be eight percent. Beginning
5 34 with valuations established as of January 1, 1979, and each
5 35 year thereafter, property valued by the department of revenue
6 1 pursuant to chapter 434 shall also be assessed at a percentage
6 2 of its actual value which percentage shall be equal to the
6 3 percentage determined by the director of revenue for
6 4 commercial property, industrial property, or property valued
6 5 by the department of revenue pursuant to chapters 428, 433,
6 6 437, and 438, whichever is lowest.

6 7 Sec. 5. RETROACTIVE APPLICABILITY DATE. This division of
6 8 this Act applies retroactively to assessment years beginning
6 9 on or after January 1, 2007.

6 10 DIVISION III

6 11 REDUCTION IN RELIANCE ON PROPERTY TAX == COUNTIES, 6 12 TOWNSHIPS, AND CITIES

6 13 Sec. 6. Section 331.325, subsection 1, Code 2007, is
6 14 amended to read as follows:

6 15 1. a. The board shall repair and maintain all cemeteries
6 16 under the jurisdiction of the board including pioneer
6 17 cemeteries and pay other expenses of the board or the cemetery
6 18 commission as provided in this section.

6 19 b. As used in this section, "pioneer cemetery" means a
6 20 cemetery where there have been six or fewer burials in the
6 21 preceding fifty years.

6 22 Sec. 7. Section 331.421, subsections 1, 5, and 10, Code
6 23 2007, are amended by striking the subsections.

6 24 Sec. 8. Section 331.422, Code 2007, is amended by striking
6 25 the section and inserting in lieu thereof the following:

6 26 331.422 COUNTY PROPERTY TAX LEVY.

6 27 For the fiscal year beginning July 1, 2011, and subsequent
6 28 fiscal years, a county shall not levy property taxes except
6 29 for a debt service levy to be credited to the debt service
6 30 fund pursuant to section 331.430 for the purposes specified in
6 31 that section. Taxes in the amount necessary for debt service

6 32 shall be levied on all taxable property within the county,
6 33 except as otherwise provided by state law.

6 34 Sec. 9. Section 331.424A, subsection 4, Code 2007, is
6 35 amended to read as follows:

7 1 4. For the fiscal year beginning July 1, ~~1996~~ 2011, and

7 2 for each subsequent fiscal year, the county shall ~~certify a~~

~~7 3 levy transfer from the general fund to the mental health,~~

~~7 4 mental retardation, and developmental disabilities services~~

~~7 5 fund an amount necessary~~ for payment of services. For each

7 6 fiscal year, county revenues ~~from taxes imposed by the county~~

7 7 credited to the services fund shall not exceed an amount equal

7 8 to the amount of base year expenditures for services as

7 9 defined in section 331.438, less the amount of property tax

7 10 relief to be received pursuant to section 426B.2, in the

7 11 fiscal year for which the budget is certified. The county

7 12 auditor and the board of supervisors shall reduce the amount

~~7 13 of the levy certified budgeted~~ for the services fund by the

~~7 14 amount of property tax relief to be received. A levy~~

~~7 15 certified under this section is not subject to the appeal~~

~~7 16 provisions of section 331.426 or to any other provision in law~~

~~7 17 authorizing a county to exceed, increase, or appeal a property~~

~~7 18 tax levy limit.~~

7 19 Sec. 10. Section 331.424C, Code 2007, is amended to read

7 20 as follows:

7 21 331.424C EMERGENCY SERVICES FUND.

7 22 A county that is providing fire protection service or

7 23 emergency medical service to a township pursuant to section

7 24 331.385 shall establish an emergency services fund and ~~may~~

~~7 25 certify taxes for levy in the township shall transfer from the~~

~~7 26 rural services fund an amount equivalent to the amount that~~

~~7 27 could be raised from a property tax levy that does not to~~

7 28 exceed the amounts authorized in section 359.43. The county

7 29 has the authority to use a portion of the ~~taxes levied and~~

~~7 30 deposited in amount transferred~~ to the fund for the purpose of

7 31 accumulating moneys to carry out the purposes of section

7 32 359.43, subsection 4.

7 33 Sec. 11. Section 331.431, Code 2007, is amended to read as

7 34 follows:

7 35 331.431 ADDITIONAL FUNDS.

8 1 A county may establish other funds in accordance with

8 2 generally accepted accounting principles. ~~Taxes may be levied~~

~~8 3 for Transfers from the general fund may be made to those funds~~

8 4 as provided by state law. The condition and operations of

8 5 each fund shall be included in the annual financial report

8 6 required in section 331.403.

8 7 Sec. 12. NEW SECTION. 359.53 ABOLITION OF PROPERTY TAX.

8 8 For the fiscal year beginning July 1, 2011, and subsequent

8 9 fiscal years, a township shall not levy a property tax to

8 10 provide services under this chapter, notwithstanding section

8 11 359.30, 359.33, or 359.43.

8 12 Sec. 13. NEW SECTION. 360.10 ABOLITION OF PROPERTY TAX.

8 13 For the fiscal year beginning July 1, 2011, and subsequent

8 14 fiscal years, a township shall not levy a property tax to

8 15 provide services under this chapter, notwithstanding sections

8 16 360.1, 360.2, and 360.8.

8 17 Sec. 14. Section 384.1, Code 2007, is amended by striking
8 18 the section and inserting in lieu thereof the following:

8 19 384.1 CITY PROPERTY TAX LEVY.

8 20 For the fiscal year beginning July 1, 2011, and subsequent

8 21 fiscal years, a city shall not levy property taxes except for

8 22 a debt service levy to be credited to the debt service fund

8 23 pursuant to section 384.4 for the purposes specified in that

8 24 section. Taxes in the amount necessary for debt service shall

8 25 be levied on all taxable property within the city, except as

8 26 otherwise provided by state law. However, the tax levied by a

8 27 city on tracts of land and improvements thereon used and

8 28 assessed for agricultural or horticultural purposes, shall not

8 29 exceed three dollars and three-eighths cents per thousand

8 30 dollars of assessed value in any year. Improvements located

8 31 on such tracts of land and not used for agricultural or

8 32 horticultural purposes and all residential dwellings are

8 33 subject to the same rate of tax levied by the city on all

8 34 other taxable property within the city.

8 35 Sec. 15. Section 384.3, Code 2007, is amended to read as
9 1 follows:

9 2 384.3 GENERAL FUND.

9 3 All moneys received for city government purposes from taxes

9 4 and other sources must be credited to the general fund of the

9 5 city, except that moneys received for the purposes of the debt

9 6 service fund, ~~the trust and agency funds, the capital~~

~~9 7 improvements reserve fund, the emergency fund and other funds~~

~~9 8 established by state law must be deposited as otherwise~~
~~9 9 required or authorized by state law. All moneys received by a~~
9 10 city from the federal government must be reported to the
9 11 department of management who shall transmit a copy to the
9 12 legislative services agency.
9 13 Sec. 16. Section 384.6, subsection 1, unnumbered paragraph
9 14 1, Code 2007, is amended to read as follows:
9 15 Accounting for pension and related employee benefit funds
9 16 as provided by the city finance committee. A city may ~~certify~~
~~9 17 taxes to be levied for each year transfer from the general~~
~~9 18 fund to a trust and agency fund in the an amount necessary to~~
9 19 meet its obligations.
9 20 Sec. 17. Section 384.7, unnumbered paragraph 1, Code 2007,
9 21 is amended to read as follows:
9 22 A city may establish a capital improvements reserve fund,
9 23 and may ~~certify taxes transfer from the general fund an amount~~
9 24 not to exceed in any year the dollar equivalent of a tax of
9 25 sixty-seven and one-half cents per thousand dollars of taxable
9 26 value each year to be levied for the fund for the purpose of
9 27 accumulating moneys for the financing of specified capital
9 28 improvements, or carrying out a specific capital improvement
9 29 plan, including a plan developed under chapter 386.
9 30 Sec. 18. Section 384.7, unnumbered paragraphs 2 and 3,
9 31 Code 2007, are amended by striking the paragraphs.
9 32 Sec. 19. Section 384.8, Code 2007, is amended to read as
9 33 follows:
9 34 384.8 EMERGENCY FUND.
9 35 A city may establish an emergency fund and may ~~certify~~
~~10 1 taxes transfer from the general fund an amount~~ not to exceed
10 2 in any year the dollar equivalent of a tax of twenty-seven
10 3 cents per thousand dollars of taxable value each year to be
~~10 4 levied for the fund.~~ Transfers may be made from the emergency
10 5 fund to the general fund as provided in rules promulgated by
10 6 the city finance committee created in section 384.13.
10 7 Sec. 20. Section 384.9, Code 2007, is amended to read as
10 8 follows:
10 9 384.9 ADDITIONAL FUNDS.
10 10 A city may establish other funds and may ~~certify taxes to~~
~~10 11 be levied for the make transfers from the general fund to~~
~~10 12 those funds~~ as provided by state law. The status of each
10 13 account or fund must be included in the annual report required
10 14 in section 384.22.
10 15 Sec. 21. Sections 331.423, 331.424, 331.424B, 331.425,
10 16 331.426, 384.12, 386.8, and 386.9 are repealed.
10 17 Sec. 22. EFFECTIVE AND APPLICABILITY DATES. This division
10 18 of this Act takes effect July 1, 2010, and applies to fiscal
10 19 years beginning on or after July 1, 2011.
10 20 DIVISION IV
10 21 REDUCTION IN RELIANCE ON PROPERTY
10 22 TAX == SCHOOLS AND COMMUNITY COLLEGES
10 23 Sec. 23. NEW SECTION. 257.1A ABOLITION OF PROPERTY TAX
10 24 == SCHOOL FOUNDATION PROGRAM.
10 25 For the budget year beginning July 1, 2011, and subsequent
10 26 budget years, a school district shall not levy property taxes
10 27 for purposes of the state school foundation program under this
10 28 chapter. The legislative interim committee appointed to
10 29 conduct a review of the school finance formula pursuant to
10 30 section 257.1, subsection 4, shall include in its report due
10 31 to be submitted to the general assembly no later than January
10 32 1, 2010, recommendations relating to alternatives for funding
10 33 the local share of the state school foundation program.
10 34 Sec. 24. Section 257.19, unnumbered paragraphs 2 and 3,
10 35 Code 2007, are amended to read as follows:
11 1 Certification of a board's intent to participate for a
11 2 budget year, ~~the method of funding,~~ and the amount to be
11 3 raised shall be made to the department of management not later
11 4 than April 15 of the base year. Funding for the instructional
11 5 support program shall be obtained from instructional support
11 6 state aid and from local funding using ~~either an instructional~~
~~11 7 support property tax or a combination of an instructional~~
~~11 8 support property tax and an instructional support income~~
11 9 surtax.
11 10 ~~The board of directors shall determine whether the~~
~~11 11 instructional support property tax or the combination of the~~
~~11 12 instructional support property tax and instructional support~~
~~11 13 income surtax shall be used for the local funding.~~ Subject to
11 14 the limitation specified in section 298.14, ~~if the board~~
~~11 15 elects to use the combination of the instructional support~~
~~11 16 property tax and instructional support income surtax,~~ for each
11 17 budget year the board shall determine the percent of income
11 18 surtax that will be imposed, expressed as full percentage

11 19 points, not to exceed twenty percent.

11 20 Sec. 25. Section 257.21, unnumbered paragraph 1, Code
11 21 2007, is amended to read as follows:

11 22 The department of management shall establish the amount of
11 23 instructional support ~~property tax to be levied and the amount~~
~~11 24 of instructional support~~ income surtax to be imposed by a
11 25 district in accordance with the decision of the board under
~~11 26 section 257.19~~ for each school year for which the
11 27 instructional support program is authorized. The department
11 28 of management shall determine these amounts based upon the
11 29 most recent figures available for the district's ~~valuation of~~
~~11 30 taxable property~~, individual state income tax paid, and budget
11 31 enrollment in the district, and shall certify to the
11 32 ~~district's county auditor the amount of instructional support~~
~~11 33 property tax, and to the director of revenue the amount of~~
11 34 instructional support income surtax to be imposed ~~if an~~
~~11 35 instructional support income surtax is to be imposed.~~

12 1 Sec. 26. Section 257.29, unnumbered paragraphs 2, 3, and
12 2 4, Code 2007, are amended to read as follows:

12 3 The educational improvement program shall provide
12 4 additional revenues each fiscal year equal to a specified
12 5 percent of the regular program district cost of the district,
12 6 as determined by the board but not more than the maximum
12 7 percent authorized by the electors if an election has been
12 8 held. Certification of a district's participation for a
12 9 budget year, ~~the method of funding,~~ and the amount to be
12 10 raised shall be made to the department of management not later
12 11 than April 15 of the base year.

12 12 The educational improvement program shall be funded by
12 13 ~~either an educational improvement property tax or by a~~
~~12 14 combination of an educational improvement property tax and an~~
12 15 educational improvement income surtax. ~~The method of raising~~
~~12 16 the educational improvement moneys shall be determined by the~~
~~12 17 board.~~ Subject to the limitation in section 298.14, ~~if the~~
~~12 18 board uses a combination of an educational improvement~~
~~12 19 property tax and an educational improvement income surtax,~~ the
12 20 board shall determine the percent of income surtax to be
12 21 imposed, expressed as full percentage points, not to exceed
12 22 twenty percent.

12 23 The department of management shall establish the amount of
12 24 the educational improvement ~~property tax to be levied or the~~
~~12 25 amount of the combination of the educational improvement~~
~~12 26 property tax to be levied and the amount of the school~~
~~12 27 district income surtax to be imposed for each school year that~~
12 28 the educational improvement amount is authorized. The
12 29 educational improvement ~~property tax and income surtax, if an~~
~~12 30 income surtax is imposed,~~ shall be levied and imposed,
12 31 collected, and paid to the school district in the manner
12 32 provided for the instructional support program in sections
12 33 257.21 through 257.26. Moneys received by a school district
12 34 under the educational improvement program are miscellaneous
12 35 income.

13 1 Sec. 27. Section 260C.17, Code 2007, is amended by adding
13 2 the following new unnumbered paragraph:

13 3 NEW UNNUMBERED PARAGRAPH. For the budget year beginning
13 4 July 1, 2011, and subsequent budget years, a merged area board
13 5 of directors shall not levy the property tax specified under
13 6 this section for operation of a community college.

13 7 Sec. 28. Section 260C.22, subsection 1, paragraph a, Code
13 8 2007, is amended to read as follows:

13 9 1. a. ~~In addition to the tax authorized under section~~
~~13 10 260C.17, the~~ The voters in any merged area may at the annual
13 11 school election vote a tax not exceeding twenty and one-fourth
13 12 cents per thousand dollars of assessed value in any one year
13 13 for a period not to exceed ten years for the purchase of
13 14 grounds, construction of buildings, payment of debts
13 15 contracted for the construction of buildings, purchase of
13 16 buildings and equipment for buildings, and the acquisition of
13 17 libraries, for the purpose of paying costs of utilities, and
13 18 for the purpose of maintaining, remodeling, improving, or
13 19 expanding the community college of the merged area. If the
13 20 tax levy is approved under this section, the costs of
13 21 utilities shall be paid from the proceeds of the levy. The
13 22 tax shall be collected by the county treasurers and remitted
13 23 to the treasurer of the merged area as provided in section
13 24 331.552, subsection 29. The proceeds of the tax shall be
13 25 deposited in a separate and distinct fund to be known as the
13 26 voted tax fund, to be paid out upon warrants drawn by the
13 27 president and secretary of the board of directors of the
13 28 merged area district for the payment of costs incurred in
13 29 providing the school facilities for which the tax was voted.

13 30 Sec. 29. Section 260C.22, Code 2007, is amended by adding
13 31 the following new subsection:

13 32 NEW SUBSECTION. 2A. For the budget year beginning July 1,
13 33 2011, and subsequent budget years, a merged area board of
13 34 directors shall not levy property taxes for the purposes
13 35 specified in subsections 1 and 2, except as necessary to pay
14 1 indebtedness incurred for such purposes.

14 2 Sec. 30. Section 260C.22, Code 2007, is amended by adding
14 3 the following new subsection:

14 4 NEW SUBSECTION. 5. For the budget year beginning July 1,
14 5 2011, and subsequent budget years, a merged area board of
14 6 directors shall not levy property taxes for purposes of the
14 7 cash reserve fund.

14 8 Sec. 31. Section 260C.28, Code 2007, is amended by adding
14 9 the following new subsection:

14 10 NEW SUBSECTION. 4. For the budget year beginning July 1,
14 11 2011, and subsequent budget years, a merged area board of
14 12 directors shall not levy the property tax specified under this
14 13 section for equipment replacement and program sharing for a
14 14 community college except as necessary to pay indebtedness
14 15 incurred for purposes of equipment replacement and program
14 16 sharing.

14 17 Sec. 32. Section 298.2, Code 2007, is amended by adding
14 18 the following new subsection:

14 19 NEW SUBSECTION. 7. For the budget year beginning July 1,
14 20 2011, and subsequent budget years, a school district shall not
14 21 levy physical plant and equipment property taxes except to pay
14 22 indebtedness incurred for any of the purposes authorized in
14 23 section 298.3.

14 24 Sec. 33. Section 298.4, Code 2007, is amended to read as
14 25 follows:

14 26 298.4 DISTRICT MANAGEMENT LEVY.

14 27 1. The board of directors of a school district may certify
14 28 for levy by April 15 of a school year, a tax on all taxable
14 29 property in the school district for a district management
14 30 levy. The revenue from the tax levied in this section shall
14 31 be placed in the district management levy fund of the school
14 32 district. The district management levy shall be expended only
14 33 for the following purposes:

14 34 ~~1- a.~~ To pay the cost of unemployment benefits as provided
14 35 in section 96.31.

15 1 ~~2- b.~~ To pay the costs of liability insurance and the
15 2 costs of a judgment or settlement relating to liability
15 3 together with interest accruing on the judgment or settlement
15 4 to the expected date of payment.

15 5 ~~3- c.~~ To pay the costs of insurance agreements under
15 6 section 296.7.

15 7 ~~4- d.~~ To pay the costs of a judgment under section 298.16.

15 8 ~~5- e.~~ To pay the cost of early retirement benefits to
15 9 employees under section 279.46.

15 10 2. Unencumbered funds collected from the levies authorized
15 11 in sections 96.31, 279.46, and 296.7 prior to July 1, 1991,
15 12 may be expended for the purposes listed in subsections 1, 3,
15 13 and 5.

15 14 3. ~~For the budget year beginning July 1, 2011, and~~
15 15 ~~subsequent budget years, a school district shall not levy~~
15 16 ~~property taxes for purposes of the district management fund~~
15 17 ~~except to pay indebtedness authorized to be incurred under~~
15 18 ~~subsection 1, paragraphs "a" through "e".~~

15 19 Sec. 34. Section 298.10, Code 2007, is amended to read as
15 20 follows:

15 21 298.10 LEVY FOR CASH RESERVE.

15 22 1. The board of directors of a school district may certify
15 23 for levy by April 15 of a school year, a tax on all taxable
15 24 property in the school district in order to raise an amount
15 25 for a necessary cash reserve for a school district's general
15 26 fund. The amount raised for a necessary cash reserve does not
15 27 increase a school district's authorized expenditures as
15 28 defined in section 257.7.

15 29 2. ~~For the budget year beginning July 1, 2011, and~~
15 30 ~~subsequent budget years, a school district shall not levy~~
15 31 ~~property taxes for purposes of a general fund cash reserve.~~

15 32 Sec. 35. Section 298A.14, Code 2007, is amended to read as
15 33 follows:

15 34 298A.14 OTHER FUNDS.

15 35 A school corporation may establish other funds in
16 1 accordance with generally accepted accounting principles ~~and~~
16 2 ~~may certify other taxes to be levied for the funds as provided~~
16 3 ~~by state law.~~ The status of each fund must be included in the
16 4 annual report. The treasurer shall keep a separate account
16 5 for each fund, and shall not pay an order that fails to state

16 6 the fund upon which it is drawn and the specific use to which
16 7 it is to be applied.

16 8 Sec. 36. Section 300.2, Code 2007, is amended by adding
16 9 the following new unnumbered paragraph:

16 10 NEW UNNUMBERED PARAGRAPH. For the budget year beginning
16 11 July 1, 2011, and subsequent budget years, a school district
16 12 shall not levy property taxes for purposes of public
16 13 educational and recreational activities authorized under this
16 14 chapter except to pay indebtedness incurred for any of the
16 15 purposes authorized under this chapter.

16 16 Sec. 37. Section 257.3, 257.4, and 257.15, are repealed.

16 17 Sec. 38. EFFECTIVE AND APPLICABILITY DATES. This division
16 18 of this Act takes effect July, 1, 2010, and applies to fiscal
16 19 years beginning on or after July 1, 2011, except that the
16 20 requirement in section 257.1A, as enacted in this Act,
16 21 relating to alternative funding recommendations, takes effect
16 22 upon enactment of this Act.

16 23 DIVISION V

16 24 LOCAL HOTEL AND MOTEL TAX

16 25 Sec. 39. Section 423A.4, unnumbered paragraph 1, Code
16 26 2007, is amended to read as follows:

16 27 A city or county may impose by ordinance of the city
16 28 council or by resolution of the board of supervisors a hotel
16 29 and motel tax, at a rate not to exceed ~~seven~~ nine percent,
16 30 which shall be imposed in increments of one or more full
16 31 percentage points upon the sales price from the renting of
16 32 lodging. The tax when imposed by a city shall apply only
16 33 within the corporate boundaries of that city and when imposed
16 34 by a county shall apply only outside incorporated areas within
16 35 that county.

17 1 DIVISION VI

17 2 STATEWIDE FIRE AND POLICE RETIREMENT SYSTEM

17 3 Sec. 40. Section 411.20, Code 2007, is amended to read as
17 4 follows:

17 5 411.20 STATE APPROPRIATION.

17 6 There is appropriated from the general fund of the state
17 7 for each fiscal year an amount ~~necessary equal to three and~~
17 8 ~~seventy-nine hundredths percent of the covered earnable~~
17 9 ~~compensation~~ to be distributed to the statewide fire and

17 10 police retirement system, or to the cities participating in
17 11 the system, to finance the cost of benefits provided in this
17 12 chapter by amendments of the Acts of the Sixty-sixth General
17 13 Assembly, chapter 1089. The method of distribution shall be
17 14 determined by the board of trustees based on information
17 15 provided by the actuary of the statewide retirement system.

17 16 Moneys appropriated by the state shall not be used to
17 17 reduce the normal rate of contribution of any city below
17 18 seventeen percent.

17 19 Sec. 41. FIRE AND POLICE RETIREMENT FUND. There is
17 20 appropriated from the general fund of the state to the fire
17 21 and police retirement fund created pursuant to section 411.8
17 22 for the fiscal year beginning July 1, 2007, and ending June
17 23 30, 2008, the following amount, or so much thereof as is
17 24 necessary, to be used for the purpose designated:

17 25 For the state's share of the cost of the police officers'
17 26 and fire fighters' retirement benefits under section 411.20:

17 27 \$ 8,541,814

17 28 DIVISION VII

17 29 PROPERTY TAX STUDY

17 30 Sec. 42. LEGISLATIVE PROPERTY TAX STUDY COMMITTEE.

17 31 1. A legislative property tax study committee is
17 32 established. The study committee shall conduct a
17 33 comprehensive review of property taxation in Iowa including
17 34 but not limited to the continued use of property taxes as a
17 35 major funding source for local governments and for local
18 1 school districts in Iowa, the classification and assessment of
18 2 property for property tax purposes and the impact of the tie
18 3 between residential and agricultural property assessments, the
18 4 level of consistency employed in classifying and assessing
18 5 property for property tax purposes, the various exemptions and
18 6 credits currently available to property taxpayers and the
18 7 impact on local government and state budgets and on other
18 8 taxpayers of providing those credits and exemptions, and the
18 9 use of property taxes as an economic development tool and the
18 10 impact on local and state government budgets and on other
18 11 taxpayers of such use. In its study, the committee shall
18 12 address the goals of property tax simplification and equity.

18 13 2. a. The committee shall be comprised of the following
18 14 voting members:

18 15 (1) Five members who are members of the senate, three of
18 16 whom shall be appointed by the majority leader of the senate

18 17 and two of whom shall be appointed by the minority leader of
18 18 the senate.

18 19 (2) Five members who are members of the house of
18 20 representatives, three of whom shall be appointed by the
18 21 speaker of the house of representatives and two of whom shall
18 22 be appointed by the minority leader of the house of
18 23 representatives.

18 24 b. The committee shall be comprised of the following
18 25 nonvoting members who shall be appointed by the majority
18 26 leader of the senate and the speaker of the house of
18 27 representatives in consultation with the minority leaders of
18 28 the senate and the house of representatives:

18 29 (1) One member from an association representing Iowa
18 30 counties.

18 31 (2) One member from an association representing Iowa
18 32 cities.

18 33 (3) One member from an association representing Iowa
18 34 school boards.

18 35 (4) One member from an association representing
19 1 agricultural property taxpayers.

19 2 (5) One member from an association representing Iowa
19 3 commercial property taxpayers.

19 4 (6) One member from an association representing Iowa
19 5 industrial taxpayers.

19 6 (7) One member representing residential taxpayers.

19 7 (8) Representatives of other interests as designated by
19 8 the legislative council.

19 9 c. The committee shall be comprised of the following
19 10 nonvoting members who shall be appointed by the governor:

19 11 (1) A representative employed by the department of
19 12 management.

19 13 (2) A representative employed by the department of
19 14 revenue.

19 15 (3) A representative employed by the department of
19 16 economic development.

19 17 3. The property tax study committee shall meet during the
19 18 2007 and 2008 legislative interims at the call of the
19 19 chairperson. The committee is authorized to hold as many
19 20 meetings as the committee deems necessary.

19 21 4. The property tax study committee may contract with one
19 22 or more tax consultants or experts familiar with the Iowa
19 23 property tax system. The legislative council, pursuant to its
19 24 authority in section 2.42, may allocate to the study committee
19 25 funding from moneys available to it in section 2.12 for the
19 26 purpose of contracting with the consultant or expert.

19 27 5. The property tax study committee shall submit a final
19 28 report to the general assembly on or before January 5, 2009.
19 29 The final report shall include but not be limited to findings,
19 30 analyses, and recommendations by the committee.

19 31 EXPLANATION

19 32 This bill makes changes relating to state and local budgets
19 33 and taxes.

19 34 Division I of the bill provides for an individual and
19 35 corporate income tax credit for a certain amount of commercial
20 1 property tax paid during the tax year. For a taxpayer to
20 2 qualify, the property tax shall have been paid on improved
20 3 commercial property, and the taxpayer owns less than \$300,000
20 4 of improved commercial property in the aggregate statewide.
20 5 The credit is equal to \$320. For corporations included in a
20 6 consolidated Iowa return, each corporation in the consolidated
20 7 return that paid commercial property tax can claim the maximum
20 8 credit. The credit amount is not allowed as a deduction in
20 9 computing Iowa taxable income. Any credit in excess of the
20 10 tax liability is refundable.

20 11 This credit is repealed effective January 1, 2012, for tax
20 12 years beginning on or after that date.

20 13 The division takes effect upon enactment and applies
20 14 retroactively to January 1, 2007, for tax years beginning on
20 15 or after that date.

20 16 Division II of the bill changes the property tax assessment
20 17 limitation percentage for commercial and industrial property
20 18 from 4 percent to 1 percent.

20 19 The division applies retroactively to assessment years
20 20 beginning on or after January 1, 2007.

20 21 Division III of the bill removes the authority of cities
20 22 and counties to levy property taxes for fiscal years beginning
20 23 on or after July 1, 2011, except for purposes of paying
20 24 indebtedness incurred by a city or a county. Conforming
20 25 amendments may be necessary to implement this division.

20 26 Division IV of the bill removes the authority of school
20 27 district boards of directors and merged area boards of

20 28 directors to levy property taxes for budget years beginning on
20 29 or after July 1, 2011, except for purposes of paying
20 30 indebtedness incurred by a school district or a merged area.
20 31 Conforming amendments may be necessary to implement this
20 32 division.
20 33 Division V of the bill increases the maximum local hotel
20 34 and motel tax rate from the present 7 percent to 9 percent.
20 35 Present law requires an election to increase the tax rate.
21 1 Division VI of the bill amends Code section 411.20 to
21 2 provide that the amount of the state appropriation to the
21 3 statewide fire and police retirement system equals 3.79
21 4 percent of the covered earnable compensation of the members.
21 5 Present law has a standing unlimited appropriation and does
21 6 not specify a dollar or percentage amount.
21 7 The division also appropriates for FY 2007=2008 \$8,541,814
21 8 as the state's cost of police officers' and fire fighters'
21 9 benefits which is estimated to be 3.79 percent of the covered
21 10 earnable compensation of the members of the system.
21 11 Division VII of the bill establishes a legislative property
21 12 tax study committee to conduct a comprehensive review of
21 13 property taxation in Iowa. The committee shall be comprised
21 14 of legislative members and nonvoting members representing
21 15 certain interest groups and state departments. The division
21 16 authorizes the study committee to contract with one or more
21 17 tax consultants or experts familiar with the Iowa property tax
21 18 system. The study committee is to meet during the 2007 and
21 19 2008 legislative interims, and is to submit a final report to
21 20 the general assembly on or before January 5, 2009.
21 21 LSB 2704YH 82
21 22 sc:rj/es/88